

A Publication of Communication Channels, Inc.

AMERICAN CITY & COUNTY

administration • engineering • operations

C2425-3
8/14/87

Resource-Recovery System Solutions

6K0083

CIT36591895
K KENDRICK

CONGRESSIONAL INFORMATION S B
4520 EAST WEST HWY-800
BETHESDA

MD 20814

The Gridlock: Finding Answers to Utilizing Prisons

Special GRCDA
Conference Issue

AMERICAN CITY & COUNTY®



August 1987

Vol. 102, No. 8

TRAFFIC

20 Gridlock

As the suburban population balloons and highways become more crowded, cities and counties are searching for new answers to traffic problems. □ **22** Houston Gears Up Transitway System □ **24** Teaneck, N.J., Formulates Detailed Traffic Plan □ **26** Controlling Traffic with Fiber Optics

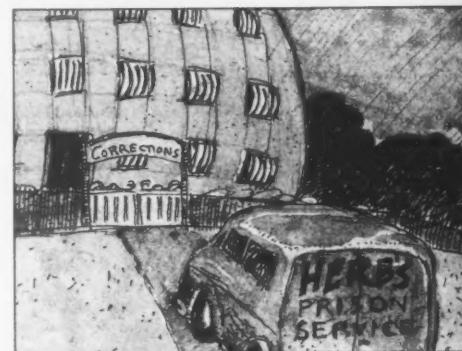


20 Traffic Gridlock

PUBLIC SAFETY

29 Privatizing Prisons

Contracting raises a host of legal, quality and liability questions, but the private sector already is providing a variety of services for correctional facilities. □ **30** Teamwork Pays Off in Potosi



29 Privatizing Prisons

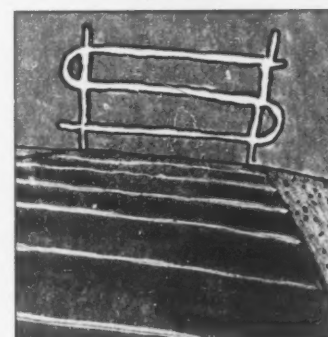
COVER STORY

RR 1 Resource Recovery Report

Cover photo by Jerry Hoy/Double Vision

The advent of reliable waste-to-energy systems brings the need for public officials to look at all the options in order to make the best decision. □

RR 6 Selecting the right site □ **RR 7** Turnkey approach chosen □ **RR 8** The financial game plan □ **RR 11** The modular alternative □ **RR 12** The future of landfill gas projects □ **RR 14** Sonoma County computerizes landfill operations □ **RR 18** Choosing a vendor □ **RR 20** Ash disposal or re-use? □ **RR 21** Cooperation fuels waste-disposal plan □ **RR 22** Nashville facility heats downtown office buildings



RR1 Resource Recovery

SPECIAL REPORT

60 Congress Taking Action To Alter Welfare Program

The nation's welfare system has not been changed much in recent years, but Congress has begun to legislate with a vengeance.

COLUMNS

10 Inside Washington . . . Despite the release of highway funds in April, the construction industry and infrastructure programs still are reeling from the six-month delay.

12 Financial Management . . . Substantial changes are being made in standards for reporting financial information concerning employee pensions.

14 Office Automation . . . Service bureaus can offer flexibility for electronic-publishing requirements.

DEPARTMENTS

- 16 Across America
- 6 Calendar
- 73 Classified
- 4 Editor's View
- 76 Municipal Cost Indexes
- 64 New Products
- 8 Newsmakers
- 70 Professional Services
- 69 Services & Contracts
- 66 Video & Print

American City & County is published monthly by Communication Channels, Inc., George E. Fowkes, Chairman of the Board, Jerrold France, President, Scott Smith, Secretary, Buford Bryant, Treasurer. Editorial and advertising offices at 6255 Barfield Road, Atlanta, GA 30328. Telephone 404-256-9800. American City & County is a registered trademark of Communication Channels, Inc. © 1987 by Communication Channels, Inc. Application to mail at Second Class Postage paid at Atlanta, GA and at additional mailing offices. Subscription rates: U.S.A., 1 year \$42, 2 years, \$70; Canada and Mexico, 1 year, \$45; Foreign, 1 year, \$60, overseas air mail, \$107. Single copies, \$3.50. The opinions expressed by authors and contributors to American City & County are not necessarily those of the editors or publisher. Articles appearing in American City & County may not be reproduced in whole or in part without permission of the publisher. Microfilm copies of American City & County are available from Xerox University Microfilms, Ann Arbor, MI 48109. Postmaster: Please send form 3579 to Circulation Department, American City & County, 6255 Barfield Road, Atlanta, GA 30328. ISSN 0149-337X

FINANCIAL MANAGEMENT

Pension Standards Changing

By Paul Zorn

Substantial changes are being made in the standards by which public entities account for and report financial information concerning employee pensions. Significant changes already have been made in a number of areas, including requirements to provide information about the funding status of public-employee retirement systems, the progress made in accumulating assets to pay benefits, and whether or not public employers are making actuarial-determined contributions.

Deliberations currently are underway to revise standards for the recognition, measurement and presentation of pension assets, expenditures and liabilities in the financial statements of public entities.

A recent survey of public-employee retirement systems, conducted by the Public Pension and Benefits Consortium of the Government Finance Officers Association, suggests these changes will affect the current accounting and reporting practices substantially. The survey results were based on 171 responses from the state and local levels. Public officials not only must become aware of the changes already made, but also changes being made in the coming year.

In November 1986, the Governmental Accounting Standards Board (GASB) issued Statement 5, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers." The GASB, organized in 1984 to establish financial-reporting standards for state and local governments, is the successor to the National Council on Governmental Accounting, whose standards remain in effect until superseded by the GASB.

Statement 5 establishes standards for disclosing pension information by public-employee retirement systems (PERS), and state and local governmental employers in footnotes to financial statements and in supplemental information. The standards are applicable to all governmental entities wishing to report in conformance with generally accepted accounting principles.

The standards require detailed disclosures regarding plan provisions, actuarially determined contribution requirements, significant actuarial assumptions, contributions actually made and multi-year historical-trend information.

Statement 5 also requires computation and disclosure of the "pension benefit obligation," a standardized measure of pension benefits intended to help financial-statement users assess the funding status of the PERS. This measure, which may be different from the actuarial-funding method used to determine required contributions to the PERS, is the "actuarial present value of credited, projected benefits prorated on service" and adjusted for the effects of salary increases and step-rate benefits.

While stringent, Statement 5 offers some relief for small PERS. In place of the pension-benefit obligation, these entities may disclose the actuarial-accrued liability developed from an acceptable actuarial-funding method. In addition, small systems are not required to conduct annual actuarial updates.

In order for footnote disclosures to conform with accepted accounting principles, Statement 5 requires actuarial valuations be carried out at least once every two years. While 77 percent of survey respondents reported making contributions to the PERS on an actuarial basis, respondents from small PERS were far less likely to have actuarially based contributions.

Actuarial valuations are used to allocate monies required to fund the long-term value of employee benefits. Based on demographic information about the employees and assumptions about the rate of return on plan investments, an actuary calculates the amount of employer contributions necessary for the orderly accumulation of plan assets.

Different methods of actuarial valuation result in different patterns of employer contributions to the plan. Generally, the two families of actuarial-valuation methods are benefit and cost methods. The unit-credit actuarial cost method is the primary offspring of the benefit family, while the cost family has several offspring, including the entry-age-normal, attained-age and individual-level cost method.

Although Statement 5 does not require the use of a specific actuarial-valuation method, it does require disclosure of the "pension-benefit obligation" calculated as the actuarial present value of credited projected benefits.

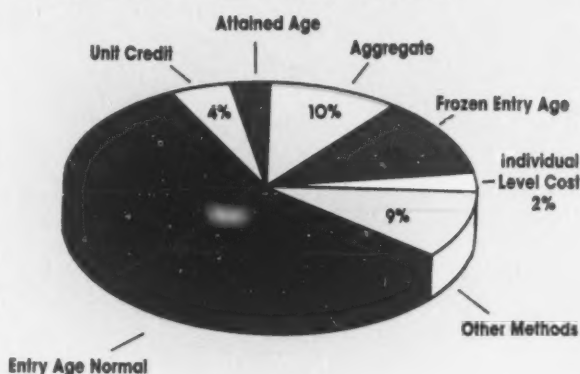
The survey, however, shows most public-employee retirement systems use the entry-age-normal method for actuarial valuations. Therefore, to conform with Statement 5, most PERS are required to have their actuaries compute the actuarial present value of credited projected benefits in addition to the current method of actuarial valuation.

In some cases, this computation may be available readily from the actuary as a product of the computer program used to conduct the actuarial valuation.

Statement 5 does not address the issues surrounding the recognition, measurement and presentation of information on the face of PERS financial statements. In order to address these questions, the GASB has begun the second phase of its pension accounting project, which will address questions relating to the recognition and measurement of assets, periodic costs, and liabilities associated with defined benefit plans for public employees. □

Paul Zorn is an assistant director with the Government Finance Research Center of the Government Finance Officers Association.

If contributions are determined on an actuarial basis, what actuarial method is used?



SOURCE: GFOA Public Pension and Benefits Consortium

MUNICIPAL COST INDEXES

The **Municipal Cost Index** rose to 347.5, a 0.4-percent increase over July's 346.1. The index has not declined in 1987, and has risen for 10 consecutive months. The **Construction Cost Index** also rose 0.4 percent from last month, from 381.4 to 382.8. The **Consumer Price Index** saw the smallest increase, a 0.3-percent rise from 337.7 to 338.7. In contrast, the **Producer Price Index** saw the sharpest jump over last month, an increase of 2.7 percent from July's 305.1 to 307.3.

Steel mill products experienced no change over last month's figures, along with electric components and internal combustion engines. Energy and petroleum products continued to show growth, with LP gas rising 5.8 percent and fuel oil no. 2 rising 2.8 percent.

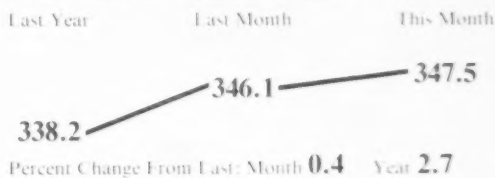
— Compiled by Tim Darnell

THIS MONTH'S MARKETBASKET

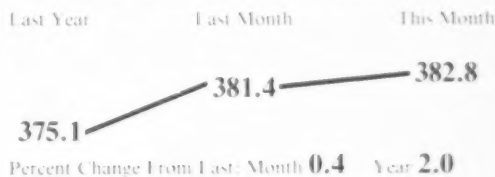
	Current Index	Percent Change From:	
		Last Month	Last Year
Air Conditioners	149.8	0	0.4
Apparel	186.4	0.1	0.8
Asphalt Roofing	346.0	-0.5	-8.0
Chemicals, Industrial	335.1	1.2	5.4
Coal	520.2	-0.3	-3.6
Concrete Products	325.4	-0.1	-0.3
Construction Machinery	375.9	0.8	2.6
Diesel Fuel	423.3	2.5	16.4
Electric Components	202.3	0	0.8
Electric Lamps	347.3	-0.1	0.1
Electric Power	439.0	0.1	-3.6
Engines, I.C.	358.9	0	1.8
Fans, Blowers	370.6	-0.2	0.7
Fertilizers, Mixed	253.2	-0.9	-0.8
Floor Coverings	199.2	0.6	1.7
Flow Instruments	240.7	0.3	2.3
Footwear	266.5	0.6	1.8
Foundry Products	364.1	0.1	-0.1
Fuel Oil No. 2	447.6	2.8	10.1
Furniture	259.0	0.1	2.2
Gasoline	392.4	0.9	3.6
Generator Sets	355.2	0.1	1.2
Glass	235.5	-0.6	2.5
Glass Containers	397.3	-1.6	-0.5
Gypsum Products	334.4	3.1	-7.2
Hardware	307.1	0.4	0.3
Heating Equipment	274.8	0	3.1
HVAC Controls	131.6	-0.2	5.0
LP Gas	366.1	5.8	8.6
Lubricants	348.7	-0.8	5.0
Lumber	331.0	0.8	7.2
Metal Fabrications	318.1	-0.2	1.0
Millwork	328.1	0.5	3.6
Motor Vehicle Parts	367.9	0	2.7
Mowers	265.6	0.1	0.7
Natural Gas	1122.6	2.2	12.6
Office Machines	158.6	0.7	2.7
Paint	325.0	0.7	3.5
Paper	314.5	-0.3	3.3
Passenger Cars	239.0	-0.3	3.6
Plumbing Fixtures	332.2	0.3	2.8
Plywood	230.5	-1.7	-3.9
Portland Cement	348.7	0.5	-1.8
Residual Fuel	639.9	4.1	34.0
Sand, Gravel	329.5	0.3	3.8
Sanitary Papers	382.5	-1.2	-0.1
Soaps, Detergents	277.1	0.9	1.1
Sporting Goods	208.4	-0.1	1.2
Steel Mill Products	353.5	0	1.3
Struc. Clay Products	316.7	0.3	3.2
Switchgear	291.1	0.1	1.5
Tires, Tubes	231.0	-0.5	-1.7
Transformers	236.9	0.3	1.7
Trucks	344.4	-0.1	-0.6
Valves	108.5	1.5	1.6
Wire, Cable	206.3	1.3	-0.2
Wiring Devices	381.3	0.7	2.1

At-A-Glance Changes

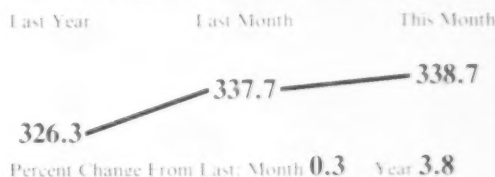
MUNICIPAL COST INDEX



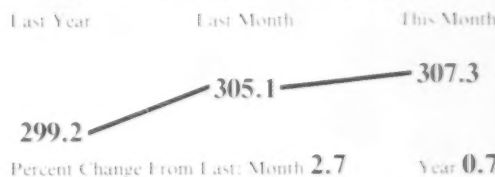
CONSTRUCTION COST INDEX



CONSUMER PRICE INDEX (BLS)



PRODUCER PRICE INDEX (BLS)



These figures are calculated on a base year of 1967.

QUARTERLY MUNICIPAL TRENDS

	Current Level	Percent Change From:	
		Last Qtr.	Last Year
Receipts	634.8B	.9	7.8
Federal Grants	104.1B	6.6	-10.9
Durable Purchases	23.6B	3.1	9.8
Consumables	37.6B	2.7	-6.0
Services	387.4B	2.3	8.0
Structures	64.6B	-2.7	16.2
Salaries, Wages	309.8B	2.3	6.0
Surplus	59.4B	7.7	1.0
Employment	13.999M	.4	2.7